

Message from the Executive Director

The Missouri Gaming Commission staff continues to establish itself as an innovative leader in a variety of categories. The Commission's internationally renowned problem gambling programs are relying on the increasing amount of problem gambling research to find better ways to prevent problem gambling and to assist those who suffer from it. Meanwhile, the Commission's training program is a source of great pride and regularly visited by regulators from other states who look to it as a model. In addition, the Commission's financial analysis section is first-rate and provides the public with a wealth of useful information about the industry. This report provides ample evidence of the level of detail provided by the financial analysis staff.

Each of the Commission's staff sections – Administration, Charity Games, Corporate Securities and Finance, Enforcement, Information Technology and Legal – have important success stories you will find in this report. Such stories will become integral to our efforts to develop a new method of performance measurement we hope will become yet another national model.

While still in the process of development, the Commission's performance measurement system is in response to the General Assembly's establishment of performance-based budgeting. However, the Commission's system will distinguish itself from traditional methods of performance measurement. This is necessary because the Commission believes traditional performance measurements that focus on counting specified agency actions or outcomes is not effective in the context of a regulatory and enforcement agency. Such systems ignore the deterrent effect of enforcement strategies and, perhaps more importantly, do not recognize the regulatory agency's problem solving activities.

Thus, the Commission seeks to create a new system of measuring performance that recognizes some of the unique challenges in evaluating the effectiveness of regulation. We do not propose to abandon traditional performance measures, only to augment them to provide dimension, context and meaning. The goal is to create a system of evaluation that truly measures the effectiveness of the agency. Are we making a difference and are we doing it efficiently? We can begin that process by counting things, but to end it there is simplistic, unsophisticated and fails to provide an accurate assessment of agency performance.

The Commission's model is based largely upon the teachings of one of the world's renowned experts in regulatory and enforcement strategy, Professor Malcolm Sparrow of the Kennedy School of Government at Harvard University. The Commission will use a tiered system that focuses on performance measures based on outcomes. The following example illustrates the current stage of the Commission's model.

Tier 1. Effects, impacts and outcomes (tax collections, decline in tax reporting errors, decline in patron complaints, decline in number of problem gamblers, increase in problem gamblers receiving treatment, increase in regulatory compliance citations but decline in number of finable offenses).



Tier 2. Behavioral outcomes

- a. Compliance or noncompliance rates
- b. Other behavioral changes (adoption of best practices, risk reduction activities that go “beyond compliance”, voluntary activities, e.g. industry self transaction exclusion program (STEP) solution to ATM issue)

Tier 3. Commission activities and outputs. How busy are we? We must balance our quantitative evaluations with qualitative evaluations. Can we solve problems or do the same issues recur continuously? Are we picking important problems and solving them? Process improvements can increase voluntary compliance by facilitating it: make it easier for the industry to comply and they will. E.g., EGD revoked software database; DAP database; Compliance Directive.

- a. Enforcement actions (number, seriousness, case dispositions, penalties, etc.)
- b. Audits and inspections (number, nature, findings, etc.)
- c. Education and outreach (compliance education efforts, problem gambling education and outreach programs, public consumer protection education)
- d. Collaborative partnerships (partnerships with other regulatory agencies, collaborative systems with industry; e.g., IT managers’ meeting outcomes, GM meeting outcomes)
- e. Other compliance-generating or behavioral change-inducing activities (e.g., annual minority business and supplier fair)

Tier 4. Resource efficiency, with respect to use of:

- a. Agency resources
- b. Regulated community resources
- c. State authority¹

Honoring Senator Harry Wiggins

On July 31, 2004, we lost Senator Harry Wiggins, one of our great public servants. Senator Wiggins is recognized as the founder of the Gaming Commission, having sponsored legislation creating it in 1993. Although he was not personally enamored with legalized gambling, he recognized the need for strict regulation and felt strongly the original legislation lacked important regulatory safeguards.

Senator Wiggins’ legacy extends beyond the words contained in the gaming statute. Many people devote substantial portions of their life to public service, but the thing that separated Senator Wiggins from the rest was his fidelity to principle – his ability to never lose sight of the public good and to never, ever allow the possibility of personal gain to affect his decisions about what was best for the public. These same values are embodied in the mission of the Missouri Gaming Commission and are held firmly by the members of its staff.

Senator Wiggins often stood up to powerful interests to enact strict laws and regulations, yet he found a way to implement them in the context of our humanity. He was a courageous leader who understood kindness and compassion are our most precious gifts from God. He truly lived the Sermon on the Mount. Senator Wiggins’ body is gone but his guiding principles live on in the many people he touched. We will miss him and are thankful for his service.

¹Malcolm K. Sparrow, *The Regulatory Craft*, pp. 119-122 (Brookings Institute Press) 2000.



Senator Harry Wiggins
August 1, 1932 - July 31, 2004